ABOUT STRYKER

With over 75 years of innovation, Stryker possesses 59,000 products over three business lines, including Reconstructive, Medical & Surgical, and Neurotechnology & Spine that are sold in over 100 countries.

$8.7 BILLION

SALES GLOBALLY

President and CEO: Kevin A. Lobo
Group President, Global Quality and Operations: Lonny J. Carpenter
Group President, International: Ramesh Subrahmanian
Group President, Orthopedics: David K. Floyd
Group President, MedSurg and NeuroTechnology: Timothy J. Scannell

Employees: 22,000+ (22,010 in 2012)
Global Headquarters: Kalamazoo, MI

CURRENT LANDSCAPE

To sum a year in review for 2013 industry: device tax, device tax, device tax. The device market faced unprecedented challenges of which required a delicate balance of strategic decisions and revenue drivers.

In 2013, Stryker made two strategic significant bets. First, Stryker made a sizeable investment in China with the acquisition of the Orthopedic company Trauson Holdings for $764M. Kevin Lobo followed up on his strong desire and ambition to expand Stryker's footprint in emerging marketplaces. This acquisition will give Stryker a foothold in the largest emerging market on the planet. Secondly, Stryker placed a sizeable bet into robotic surgical technology with the $1.65B acquisition of MAKO Surgical leading the way in joint replacement robotics. On the litigation front, Stryker tested the waters of its Rejuvenate hip class action by settling the first four hip lawsuit cases.

CORPORATE **FOIBLES**

Stryker announced in March that its instruments division received a warning letter from the U.S. FDA related to the observations made during a November 2012 inspection. The letter cites Stryker for failing to notify the FDA of a product recall and for marketing devices, including the Neptune Waste Management System, without a required 501(k) clearance. The letter acknowledged Stryker Instruments has already submitted corrective action plans for the quality system and recall observations. The Company is fully cooperating with the FDA to resolve these matters in a comprehensive and timely manner. Shares in Stryker, which has previously had several recalls for its hip implants, fell 2 percent to $69.25 on the New York Stock Exchange.

KEY **EXECUTIVE SHIFTS**

April 8, Stryker announced that William Jellison has joined the company in the position of Vice President, Chief Financial Officer. In this role, Mr. Jellison will have global responsibilities for Stryker's Finance and Information Technology activities.

January 7, Stryker announced appointment of Scott Bruder, MD, PhD to the position of Vice President, Chief Medical and Scientific Officer. In this role, Dr. Bruder will oversee the clinical and scientific efforts. In addition, he will represent Stryker as the leading medical authority of the Company for trade associations, regulatory bodies, and other entities while also partnering with our teams across the organization.

ADVERSE CHALLENGES **EFFECTING GROWTH**

Belt-tightening has been taken in order to account for the abrupt federal changes of 2013. Device companies have taken to protect their bottom lines but also account for tax changes and new medical insurance policy.

Where companies face increased pricing pressures and the greater levels of evidence required to demonstrate both clinical and commercial value, new products need to bridge the gap between services and products which often lends to a prime acquisition opportunity.

Medtech companies need to invest more in innovation to convince hospital administrator and payors that the newer devices deliver better outcomes and produce a better economic ROI. Companies frustrated with the FDA's convoluted device approval process increasingly have released products in Europe first to obtain the market experience and patient data required for U.S. consent. As a result, Stryker took to the seas for its first acquisition for 2013. Yet, these factors may have been influential in the 2013 position of Stryker Corp from a financial profit compared to its closest competitors.

Medical device makers have seen demand soften over the past few years as a slowing economy and insurance reimbursement cuts made patients delay discretionary procedures. However, as the economy stabilizes and President Obama's new healthcare law attempts to roll out insurance cover to all Americans, the industry is expected to rebound.

KEY **M&AS**

Stryker's first deal of 2013 was the acquisition of Hong Kong-based orthopedic device firm Trauson Holdings Co. Ltd for $764 million in March.

Stryker announces definitive agreement to acquire MAKO Surgical Corp for $1.65 B. The offer carried a 86% premium over the closing price of MAKO the day prior. The addition of MAKO's technology to Stryker's established position in operating rooms, joint reconstruction and surgical instruments will spur the growth of robotic assisted surgery.

Stryker is capitalizing on its stronger market position by acquiring MAKO while its rivals are lagging. The MAKO purchase is expected to dilute Stryker's adjusted earnings per year by $0.10 to $0.12 per share in the first year. The company expects the deal to become earnings accretive by the third year. MAKO, founded in 2004, makes orthopedic surgical systems and knee and hip implants for treating early to mid-stage osteoarthritis. Its Rio surgical system includes a robotic arm that helps surgeons with precise insertion of implants. The deal can help Stryker to use its own implants with MAKO's surgical system, boosting the system's adoption as well as defend itself against newer orthopedic products made by competitors, analysts said. "MAKO has established a compelling technology platform in robotic assisted surgery which we believe has considerable long term potential in joint reconstruction," said Kevin A. Lobo, President and Chief Executive Officer. "The acquisition of MAKO combined with Stryker's strong history in joint reconstruction, capital equipment (operating room integration and surgical navigation) and surgical instruments will help further advance the growth of robotic assisted surgery. Our combined expertise offers the potential to simplify joint reconstruction procedures, reduce variability and enhance the surgeon and patient experience."

This robotic surgery could grow substantially to become Stryker's fourth pillar of growth.

PRODUCT **WINS**

“Long overshadowed by the larger, more established hip and knee replacement market, the trauma and small bone/joint (extremities) sector finally came into its own this year. Projected to double in value by 2017, the market has attracted the notice of major players such as Biomet Inc., DePuy-Synthes Companies, Stryker, WMT, and Zimmer. Stryker’s third-quarter trauma/extremities sales more than tripled the gains in artificial hips ***(18.1 % growth rate v. 5.5%)*** *and obliterated flat knee revenue. “Trauma and extremities continues to roll, having now reported seven quarters in a row of double-digit growth, including a* ***39% increase in foot and ankle this quarter,”***
- President/CEO Kevin A. Lobo told analysts earlier this fall.

COMPETITOR **STANDING**

Stryker’s top and bottom line growth is favorably compared to the closest two competitors stacks up more than positive. Stryker overshadows Zimmer Holdings by $1 billion in second quarter revenue.

Company	Revenue by Quarter 2	Rev Growth YOY	Adjust net income	Net income growth (YOY)
Stryker	$2.2 billion	5%	$380 million	1.3%
Zimmer Holdings	$1.2 billion	4%	$371 million	(12.6%)
Smith & Nephew	$1.1 billion	3%	$129 million	(55.5%)

Reported net earnings of $103 million for Q3 decreased 70.8% in the quarter compared to the prior year. Reported net earnings of $386 million and $1.0 billion increased 43.0% and decreased 22.5% in the quarter and full year, respectively.

Organic sales growth in 2014 is expected to be in the range of 4.5% to 6.0%. If foreign currency exchange rates hold near current levels, we expect net sales in the first quarter and full year of 2014 to be negatively impacted by less than 1.0%.

TOP-PERFORMING **SEGMENTS BY BUSINESS UNIT**

Stryker has a market capitalization of $27 billion, related from top products in three business segments.

Business Segment	Q3 Net Sales	% of Total Revenue	Growth (YOY)
Reconstructive	$949 million	43%	6.5%
MedSurg	$792 million	36%	1.5%
NeuroTechnology and Spine	$410 million	17%	7.7%

Q3 **FINANCIALS:**

Net sales growth of 4.8% to $2.2 billion: Reconstructive increased 6.5%, MedSurg increased 1.5%, Neurotechnology and Spine increased 7.7%

Cash flow from operations increased 14.4% in the first nine months

Net sales in the quarter grew by 7.1% due to increased unit volume and changes in product mix and 0.7% as a result of acquisitions

Business Segment	Q4 Net Sales	% of Total Revenue	Growth (QoQ)
Reconstructive	$1.1 billion	44%	6.5%
MedSurg	$924 million	37%	5.4%
NeuroTechnology and Spine	$437 million	17%	5.4%

Q4 **FINANCIALS:**

Net sales growth of 5.6% to $2.5 billion: Reconstructive increased 5.8%, MedSurg increased 5.4%, Neurotechnology and Spine increased 5.4%

Cash flow from operations increased 13.8% to $1.9 billion

Net sales in the quarter were unfavorably impacted by 1.4% due to changes in price and 1.8% due to the unfavorable impact of foreign currency exchange rates on net sales. Excluding the impact of acquisitions, net sales in the quarter increased 5.8% in constant currency.

CORPORATE **EVENTS**

Hal Sutton, professional golfer and PGA Champion (1983), has become a spokesperson for the company and will help educate consumers about hip replacement surgery. Sutton underwent a total hip replacement and received Stryker's Mobile Bearing Hip in October 2012. Styker's Mobile Bearing Hip System is designed to provide patients with stability, range of motion, and longevity. Hal Sutton joins the likes of Fred Funk, becoming the second active Champions Tour golfer to collaborate with Stryker. In 2011, Funk became a spokesperson for the company after undergoing total knee replacement surgery with Stryker's GetAroundKnee in 2009.